

Name

Federal Employer Identification Number

PART I Short-term Capital Gains and Losses — Assets Held One Year or Less

(a) Description of property (Example, 100 shares of "Z" Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Gross sales price		(e) Cost or other basis, plus expense of sale		(f) Gain or (loss) (Col. (d), minus col. (e))	
1								
2 Short-term capital gain from installment sales from federal Form 6252.....							2	
3 Short-term gain or (loss) from like-kind exchanges from federal Form 8824							3	
4 Unused capital loss carryover (attach computation)							4	()
5 Net short-term gain or (loss). (Combine lines 1 through 4)							5	

PART II Long-term Capital Gains and Losses — Assets Held More Than One Year

6								
7	Enter IRC section 1231 gain from Schedule D-1, line 8 or 10.....		7					
8	Long-term capital gain from installment sales from federal Form 6252		8					
9	Long-term gain or (loss) from like-kind exchanges from federal Form 8824.....		9					
10	Net long-term gain or (loss). (Combine lines 6 through 9)		10					

PART III Summary of Schedule D Gains and Losses

11	Combine lines 5 and 10..... If amount on line 11 is a gain, enter this amount on Form N-30, page 1, line 9(a) If amount on line 11 is a loss, see instructions on capital losses for explanation of capital loss carryforwards.	11		
12	Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 10) For unitary business taxpayers, enter this amount on Form N-30, Schedule O, line 30(a), as applicable.	12		
13	Net capital gain. Enter excess of line 10 over line 5..... If line 5 is zero or a gain, enter amount of gain from line 10. Also enter this amount on Form N-30, Schedule J, line 13. For unitary business taxpayers, enter the portion of net capital gain wholly attributable to Hawaii on Form N-30, Schedule O, line 30(b), as applicable.	13		

INSTRUCTIONS

CAUTION - CAUTION - CAUTION

IN 1997, CONGRESS ENACTED LEGISLATION WHICH MADE NUMEROUS CHANGES TO THE FEDERAL INCOME TAX LAW RELATING TO THE CLASSIFICATION AND TAXATION OF CAPITAL GAINS. AS OF THE DATE THIS FORM WAS SENT TO THE PRINTERS, **HAWAII HAD NOT ADOPTED ANY OF THESE CHANGES**. CALL YOUR DISTRICT OFFICE FOR THE STATUS OF HAWAII'S CONFORMITY TO THE FEDERAL PROVISIONS.

Purpose of Form

Schedule D should be used by a taxpayer who files Form N-30 or Form N-70NP, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), and gain from the disposition of interest in oil, gas, or geothermal property, should be reported on Schedule D-1, Sales of Business Property. See instructions for Schedule D-1 for more information.

If property is involuntarily converted because of a casualty or theft, use federal Form 4684, Casualties and Thefts.

Parts I and II

Generally, a corporation should report the sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons (IRC sections 1091 and 267).

In Part I, report the sale or exchange of capital assets held one year or less. In Part II, report the sale or exchange of capital assets held more than one year.

What are Capital Assets.—Each item of property a corporation held (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights, literary, musical or artistic compositions, letters or memorandums, or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1, above.
5. Certain short-term federal, State, and municipal obligations acquired on or before June 23, 1981.

6. A U.S. Government publication (including the Congressional Record), received from the Government or any of its agencies in a manner other than by buying it at the price offered for public sale, which is held by a taxpayer who received the publication or by a second taxpayer in whose hands the basis of the publication is determined, for purposes of determining gain from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Exchange of like-kind property.—A like-kind exchange occurs when the corporation exchanges business or investment property for property of like kind. Complete and attach to the tax return federal **Form 8824**, Like-Kind Exchanges, for each exchange.

For exchanges of capital assets, enter the gain or loss from federal Form 8824, if any, on line 3 or line 9 in column f. If an exchange was made with a related party, write "Related Party Like-Kind Exchange" in the top margin of Schedule D. See federal Form 8824 for details.

Special Rules for the Treatment of Certain Gains and Losses

Note: For more information, get IRS Publication 544, *Sales and Other Dispositions of Assets*.

• **Gains and losses on commodity futures and straddle positions.**—Generally, regulated future contracts open at the end of the year or terminated during the year, are treated as 60% long-term and 40% short-term regardless of how long the contracts were held. In addition, losses from straddle positions are not allowed if the wash sale rules apply or are deferred to the extent of any unrealized gains on open offsetting positions. Use federal Form 6781, Gains and Losses from Section 1256 Contracts and Straddles, to report gains and losses from regulated futures contracts and straddles.

• **Gain or loss on certain short-term federal, State and municipal obligations.**—Such obligations are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See IRC section 1271.

• **Gain from installment sales.**—If the corporation had a gain this year from the casual sale of real or personal property (other than inventory) and is to receive any payment in a later tax year, the corporation must use the installment method (unless it elects not to see below) and file federal Form 6252, Installment Sale Income. Also use federal Form 6252 if a payment is received this year from a sale made in an earlier year on the installment method.

The installment method may not be used for sales of stock or securities traded on an established securities market. See IRC Section 453(k).

However, the corporation may elect out of the installment method by doing the following on a timely filed return (including extensions):

- (1) Enter in the margin of Schedule D, next to the sale, "the corporation elects out of the installment method."
- (2) If the corporation received a note or other obligation and is reporting it at less than face value, state that fact in the margin and give the percentage of valuation.

• **Gain or loss on an option to buy or sell property.**—See IRC sections 1033 and 1234 for the rules that apply to a purchaser or grantor of an option.

• **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.

• **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the day of the tax year.

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (IRC section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the IRC. For example, if the corporation acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, bankruptcy or reorganization, bequest, contribution or gift, tax-free exchange, involuntary conversion, or wash sale of stock, see IRC sections 301 (or 1059), 334, 362 (or 358), 1014, 1015, 1031, 1033, 1060, and 1091, respectively. Attach an explanation if the corporation uses a basis other than actual cash cost of the property.

If the corporation is allowed a charitable contribution deduction because the corporation sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital Losses.—The amount of capital losses allowed may not be more than capital gains. A net capital loss may be carried forward 5 years as a short-term capital loss.

At-Risk Limitations [(IRC) section 465].—If the corporation sold or exchanged an asset used in an activity to which the at-risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If the corporation has a net loss from the activity, it may be subject to the at-risk rules.